



STATE OF KANSAS

REPORT ON FEDERAL AWARDS IN ACCORDANCE WITH
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2005

STATE OF KANSAS
REPORT ON FEDERAL AWARDS IN ACCORDANCE
WITH OMB CIRCULAR A-133

Year Ended June 30, 2005

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Legislative Post Audit Committee
Kansas State Legislature

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (the State) as of and for the year ended June 30, 2005, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 23, 2005. We did not audit the financial statements of the various component units of the six state universities which represent 33 percent and 27 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the six state universities in the aggregate discretely presented component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding Nos. 05-1 through 05-6. We also noted certain additional matters that we reported to management of the State in a separate letter dated December 23, 2005.

This report is intended solely for the information and use of the State of Kansas Legislative Post Audit Committee, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Gibbs & Houlik, L.C.

Berberich Trahan & Co., P.A.

December 23, 2005



Berberich Trahan & Co.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Legislative Post Audit Committee
Kansas State Legislature

Compliance

We have audited the compliance of the State of Kansas (the State) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The State's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The State's basic financial statements include the operations of the six state universities, whose various component units received federal awards which are not included in the schedule of expenditures of federal awards during the year ended June 30, 2005. Our audit, described below, did not include the operations of the various component units of the six state universities because the university component units engaged other auditors to perform audits in accordance with OMB *Circular A-133*. The schedule of expenditures of federal awards does include the federal awards received by Kansas Housing Resources Corporation, a component unit of the State.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

In our opinion, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings Nos. 05-1 through 05-6.

Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of and for the year ended June 30, 2005, and have issued our report thereon dated December 23, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The federal awards of the State's component units are included in the single audits of those agencies and therefore the accompanying schedule of expenditures of federal awards does not include these federal awards.

This report is intended solely for the information and use of the State of Kansas Legislative Post Audit Committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Allen, Gibbs & Houlik, L.L.C.

Berberich Trahan & Co., P.A.

May 1, 2006

STATE OF KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal CFDA/Contract Number	Federal Grantor/Program/Pass-Through Grantor	Received Indirectly:	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
DEPARTMENT OF AGRICULTURE						
Direct:						
10.001	Agricultural Research - Basic and Applied Research		1,542,788			
10.025	Plant and Animal Disease, Pest Control and Animal Care		1,539,664		352,227	
10.069	Conservation Reserve Program		10,217			
10.200	Grants for Agricultural Research, Special Research Grants		4,716,949		2,916,630	
10.203	Payments to Agricultural Experiment Stations under the Hatch Act		3,559,465		129,922	
10.206	Grants for Agricultural Research, Competitive Research Grants		2,024,756		158,072	
10.210	Food and Agricultural Sciences National Needs Graduate Fellowship Grants		45,979		5,465	
10.215	Sustainable Agriculture Research and Education		5,330			
10.216	1890 Institution Capacity Building Grants		7,535			
10.217	Higher Education Challenge Grants		287,941		91,370	
10.250	Agricultural and Rural Economic Research		286,411		72,743	
10.302	Initiatives for Future Agriculture and Food Systems		1,453,838		281,465	
10.303	Integrated Programs		676,543		303,481	
10.304	Homeland Security - Agricultural		12,583			
10.305	Biodiesel		423,812			
10.435	State Mediation Grants		177,502		26,295	
10.460	Crop Insurance		15,540		10,050	
10.466	Partnership Agreements to Develop Non-Inurance Risk Management Tools for Producers (Farmers)		134,743			
10.496	Commodity Partnerships for Risk Management Education		1,654,341		850,570	
10.497	Meat Poultry and Egg Products Inspection		7,770,763		14,603,272	
10.477	Cooperative Extension Service		15,091,642		65,027,791	
10.500	School Breakfast Program		69,535,114		171,528	
10.553	National School Lunch Program		52,102,733		50,125,235	
10.555	Special Supplemental Nutrition Program for Women, Infants, and Children		30,366,075		28,975,329	
10.556	Child and Adult Care Food Program		1,845,137		1,387,586	
10.557	Summer Food Service Program for Children		1,395,543			
10.558	State Administrative Expenses for Child Nutrition		14,213,943		1,781,359	
10.559	State Administrative Matching Grants for Food Stamp Program		334,166		141,365	
10.560	Commodity Supplemental Food Program		459,969			
10.565	Federal Surplus Food Distribution		182,989			
10.574	Team Nutrition Grants		175,521		175,821	
10.576	Senior Farmers Market Nutrition Program		55,374			
10.600	Foreign Market Development Cooperator Program		1,021,190		213,255	
10.654	Cooperative Forestry Assistance		74,143		67,200	
10.672	Rural Development, Forestry and Communities		32,016			
10.677	Forest Land Enhancement Program		163,192		60,460	
10.759	Business Enterprise Grants		108,588			
10.771	Rural Cooperative Development Grants		776,485		240,335	
10.776	Ag Innovation Center		145			
10.901	Resource Conservation and Development		250,521			
10.902	Soil and Water Conservation		42,803			
10.903	Soil Survey		185,322			
10.914	Wildlife Habitat Incentive Program		20,474			
10.961	Scientific Cooperation and Research					
	Indirect:					
10.450	Crop Insurance	Univ of Nebraska-Lincoln	20,758	215,205,661		173,464,097
TOTAL DEPARTMENT OF AGRICULTURE						
DEPARTMENT OF COMMERCE						
Direct:						
11.114	Special American Business Internship Training Program		8,911			
11.303	Economic Development-Technical Assistance		30,202			
11.550	Public Telecommunications Facilities/Planning and Construction		41,955			
11.609	Measurement and Engineering Research and Standards		20,307		2,356,201	
11.611	Manufacturing Extension Partnership		2,356,201			
	Indirect:					
11.512	Advanced Technology Program	MAMTC	154,385	2,591,954		2,335,201
TOTAL DEPARTMENT OF COMMERCE						

STATE OF KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal CFDA/Contract Number	Federal Grant/Program/Pass-Through Grantor	Received Indirectly:	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
DEPARTMENT OF DEFENSE						
Direct:						
12.100	Aquatic Plant Control		770			
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services		240,793		81,181	
12.300	Basic and Applied Scientific Research		1,509,116			
12.400	Military Construction, National Guard		2,473,599			
12.401	NG Special Military Operations and Maintenance (O&M) Projects		12,375,433			
12.402	National Guard Military Operations & Projects		6,928,549			
12.404	NG Civilian Youth Opportunities Program		460,442			
12.405	NG Drug Interdiction and CI Drug Activities		7,336			
12.420	Military Medical Research and Development		267,371			
12.431	Basic Scientific Research		875,150		277,954	
12.630	Basic, Applied, and Advanced Research in Science and Engineering		476,288		28,826	
12.800	Air Force Defense Research Sciences Program		752,124		100,183	
12.910	Research and Technology Development		43,523			
	TOTAL DEPARTMENT OF DEFENSE			26,410,556		488,154
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Direct:						
14.195	Section 8 Housing Assistance Payments Program, Special Allocations		39,325,591		39,325,591	
14.219	Community Development Block Grants/Small Cities Program		24,915,534		24,081,455	
14.231	Emergency Shelter Grants Program		743,405		716,759	
14.239	Home Investment Partnerships Program		9,025,250		8,384,991	
14.248	Community Development Block Grants		247,222			
14.512	Community Development Work-Study Program		75,889			
14.517	Early Doctoral Student Research Grants		19,315			
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing		795,305			
	TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Indirect:						
14.228	Community Development Block Grant	City of Topeka	77,208			
	TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			75,235,117		72,508,786
DEPARTMENT OF THE INTERIOR						
Direct:						
15.222	Cooperative Inspection Agreements with States and Tribes		1,205		16,389	
15.228	Wildland and Urban Interface Community and Rural Fire Assistance		16,389			
15.252	Abandoned Mine Land Reclamation (AMLR) Program		2,253,695			
15.503	Small Reclamation Projects		21,208			
15.605	Sport Fish Restoration		4,402,752			
15.608	Great Lakes Fish and Wildlife Restoration Act		8,560			
15.611	Wildlife Restoration		3,962,521		77,892	
15.623	Wildlife Conservation Restoration		89,326			
15.633	Landowner Incentive Program		75,220			
15.634	State Wildlife Grants		87,272		423,580	
15.805	Assistance to State Water Resources Research Institutes		899,417		45,679	
15.808	U.S. Geological Survey-Research and Data Collection		334,932			
15.910	National Cooperative Geologic Mapping Program		219		2,079	
15.911	Gap Analysis Program		177,761			
15.912	Cooperative Research Units Program		10,424			
15.904	Historic Preservation Fund Grants-In-Aid		680,742		144,892	
15.914	National Register of Historic Places		32,244			
15.916	Outdoor Recreation, Acquisition, Development and Planning		1,182,479		210,670	
15.922	Native American Graves Protection and Repatriation Act		10,413			
	TOTAL DEPARTMENT OF THE INTERIOR			14,235,912		920,181
DEPARTMENT OF JUSTICE						
Direct:						
15.007	State Domestic Preparedness Equipment Support Program		21,552		135,735	
15.202	Offender Reentry Program		683,815			
15.203	Sex Offender Management Grant		78,424		1,477,844	
15.523	Juvenile Accountability Incentive Block Grants		1,593,361		594,876	
15.540	Juvenile Justice & Delinquency Prevention		665,897			
15.541	Developing, Testing and Demonstrating Promising New Programs		218,736		44,350	
15.548	Title V Delinquency Prevention Program		45,104		9,789	
15.549	Part E State Challenge Activities		9,789			
15.550	State Justice Statistics (SJS)		35,169			
15.554	National Criminal History Improvement Program		697,666		23,528	
15.560	National Institute of Justice Research Evaluation, and Development Project Grants		58,666			

STATE OF KANSAS

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STATE OF KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal CFDA/Contract Number	Federal Grant/Program/Pass-Through Grantor	Received Indirectly	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
20.500 20.505 20.509 20.515 20.600 20.603 20.604 20.700 20.701 20.703	Federal Transit Capital Investment Grants Federal Transit/Metropolitan Grants Formula Grants for other than Urbanized Areas State Planning and Research State and Community Highway Safety Federal Highway Safety Data Improvements Incentive Grants Safety Incentive Grants for Use of Seatbelts Pipeline Safety University Transportation Centers Program Hazardous Materials Emergency Preparedness (HMEP)		3,245,720 1,896,136 3,538,603 71,299 3,171,473 13,087 298,515 313,896 17,986 269,064			
20.409	Indirect: Air Transportation Centers of Excellence	Embry-Riddle	32,830	377,581,355		509,656
30.002	TOTAL DEPARTMENT OF TRANSPORTATION EQUAL EMPLOYMENT OPPORTUNITY COMMISSION Direct: Employment Discrimination, State and Local Fair Employment Practices Agency Contracts TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION GENERAL SERVICES ADMINISTRATION Direct: Help America Vote Act - Title 1 VOTE Grant TOTAL GENERAL SERVICES ADMINISTRATION NATIONAL AERONAUTICS AND SPACE ADMINISTRATION Direct: Aerospace Education Services Program Technology Transfer TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION NATIONAL ENDOWMENT FOR THE HUMANITIES Direct: Promotion of the Arts-Grants to Organizations and Individuals Promotion of the Arts Partnership Agreements Museum for America Grants Museum Assessment Program Conservation Project Support State Library Program TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES NATIONAL SCIENCE FOUNDATION Direct: Engineering Grants Science Education - Problem Assessment and Experimental Projects Mathematical and Physical Sciences Geosciences Computer and Information Science and Engineering Biological Sciences Social, Behavioral, and Economic Sciences Education and Human Resources Polar Programs Indirect: Social, Behavioral, and Economic Sciences TOTAL NATIONAL SCIENCE FOUNDATION SMALL BUSINESS ADMINISTRATION Direct: Small Business Development Center TOTAL SMALL BUSINESS ADMINISTRATION		417,857 192,529 102,731 285,260 1,063,203 167,814 17,344 587,371 35,077 2,573 17,424 1,702,807 1,099,713 121,369 2,156,537 162,040 776,508 3,781,781 769,900 2,351,690 148,551 23,818 844,884	417,857 285,260 1,231,017 2,363,995 645,893 11,702,505 944,964		55,448 306,135 339,755 60,087 15,470 183,775 145,144 404,476
43.001 43.002						
45.024 45.025 45.301 45.302 45.303 45.310						
47.041 47.046 47.048 47.050 47.070 47.074 47.075 47.076 47.078						
47.075						
59.037						

STATE OF KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal CFDA/Contract Number	Federal Grant/Program/Phase-Through Grantor	Received Indirectly	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
	DEPARTMENT OF VETERAN AFFAIRS					
	Direct:					
64.005	Grants to States for Construction or Acquisition of State Homes		491,140			
64.209	State Cemetery Grants		5,226,746	5,719,886		
	TOTAL DEPARTMENT OF VETERAN AFFAIRS					
	ENVIRONMENTAL PROTECTION AGENCY					
	Direct:					
66.001	Air Pollution Control Program Support		603,429		69,751	
66.032	State Indoor Radon Grants		195,144			
66.034	Surveys-Studies-Investigations relating to the Clean Air Act		392,354		11,797	
66.305	Compliance Assistance_Support for Services to the Regulated Community and Other Assistance Provisions		13,093			
66.433	State Underground Water Source Protection		351,600			
66.436	Surveys-Studies and Investigations-Grants & Cooperative Agreements		10,679			
66.454	Water Quality Management Planning		145,326			
66.458	Capitalization Grants for Clean Water State Revolving Funds		14,117,118		1,823,410	
66.460	Norpoint Source Implementation Grants		4,575,179		67,810	
66.461	Regional Wetland Program Development Grants		359,407			
66.463	Water Quality Cooperative Agreements		31,805			
66.467	Wastewater Operator Training Grant Program		230,564			
66.468	Capitalization Grants for Drinking Water State Revolving Funds		11,110,611		395,675	
66.474	Water Protection Coordination Grant		32,000		10,710	
66.500	Environmental Protection-Consolidated Research		345,941			
66.509	Science to Achieve Results (STAR) Program		25,099			
66.505	Performance Partnership Grants		3,841,876			
66.606	Surveys, Studies, Investigations and Special Purpose Grants		122,120			
66.707	Title IV State Lead Grants Certification of Lead-Based Paint Professionals		344,777			
66.708	Pollution Prevention Grants Program		64,456			
66.716	Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach		72,997			
66.717	Source Reduction Assistance		6,147			
66.801	Hazardous Waste Management State Program Support		1,482,886			
66.802	Superfund Consolidated Cooperative Agreements		1,033,975			
66.804	State and Tribal Underground Storage Tanks Program		166,589			
66.805	Leaking Underground Storage Tank Trust Fund Program		828,293			
66.814	Bioremediation Training, Research, and Technical Assistance Grants and Cooperative Agreements		32,597			
66.817	State and Tribal Response Program Grants		1,334,359			
66.818	Brownfields Assessment and Cleanup Cooperative Agreement		1,052	41,804,728		2,359,153
	TOTAL ENVIRONMENTAL PROTECTION AGENCY					
	DEPARTMENT OF ENERGY					
	Direct:					
81.041	State Energy Program		508,791		200,236	
81.042	Weatherization Assistance for Low-Income Persons		2,552,533		2,360,174	
81.049	Office of Science Financial Assistance Program		4,342,022		283,059	
81.066	Conservation Research and Development		62,660		2,483	
81.067	Renewable Energy Research and Development		126,217			
81.069	Fossil Energy Research and Development		659,709		117,718	
81.114	University Reactor Infrastructure and Education Support		325,031			
81.117	Energy Efficiency & Renewable Energy Information		105,051		63,215	
81.119	State Energy Program Special Projects		111,979			
81.121	Nuclear Energy Research, Development and Demonstration		143,438			
	Indirect:					
81.099	Fossil Energy Research and Development	University of Alabama	32,943			
	TOTAL DEPARTMENT OF ENERGY			8,984,064		3,026,895
	FEDERAL EMERGENCY MANAGEMENT AGENCY					
	Direct:					
83.536	Flood Mitigation Assistance Program		4,504			
	TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY					
	DEPARTMENT OF EDUCATION					
	Direct:					
84.002	Adult Education, State Grant Program		4,131,528		3,738,003	
84.004	Civil Rights Training and Advisory Services		870,822		205,938	
84.007	Federal Supplemental Educational Opportunity Grants		1,896,433		82,374,662	
84.010	Title I Grants to Local Educational Agencies		83,599,535			

STATE OF KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal CFDA/Contract Number	Federal Grant/Program/Pass-Through Grantor	Received Indirectly:	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
84.011	Migrant Education, State Grant Program		11,385,030		11,115,530	
84.013	Title I Program for Neglected and Delinquent Children		463,350		191,026	
84.016	Undergraduate International Studies and Foreign Language Programs		39,944			
84.019	Overseas Faculty Research Abroad		19,515			
84.021	Overseas Group Projects Abroad		64,000			
84.027	Special Education, Grants to States		89,456,475		86,978,354	
84.031	Title III Strengthening Institutions (#472)		341,920			
84.032	Federal Family Education Loans		131,776,290			
84.033	Federal Work-Study Program		3,476,191		476,806	
84.038	Federal Perkins Loan Program, Federal Capital Contributions		4,320,990		201,621	
84.042	TRIO Student Support Services		1,051,985			
84.044	TRIO Talent Search		541,208			
84.047	TRIO Upward Bound		2,503,704			
84.048	Vocational Education, Basic Grants to States		11,937,426		10,991,926	
84.063	Federal Pell Grant Program		43,327,490		9,067,416	
84.066	TRIO Educational Opportunity Centers		184,202			
84.069	Leveraging Educational Assistance Partnership Program (LEAP)		507,468		381,436	
84.116	Fund for the Improvement of Postsecondary Education		686,707			
84.126	Rehabilitation Services, Vocational Rehabilitation Grants to States		26,431,345		59	
84.128	Rehabilitation Long Term Training		5,245			
84.129	Migrant Education - High School Equivalency Program		166,774		234,433	
84.141	Business and International Education Projects		68,165			
84.153	VR Client Assistance Project		270,161			
84.161	VR Independent Living Grant		4,225,310		4,101,254	
84.169	VR Client Assistance Project		291,599			
84.173	Special Education - Preschool Grants		4,096,513		3,190,366	
84.177	VR KANSAS		562,400		391,818	
84.181	Special Education, Grants for Infants and Families with Disabilities		391,369		391,369	
84.184	Safe and Drug-Free Schools and Communities-National Grants		3,489,064		3,377,452	
84.186	Robert C. Byrd Honors Scholarship		317,181			
84.195	Safe and Drug-Free Schools and Communities_State Grants		3,606,335		245,402	
84.196	VR Supported Employment		377,693		323,186	
84.198	Bilingual Education Professional Development		89,771			
84.200	Education for Homeless Children and Youth		1,350,515		1,263,656	
84.213	Graduate Assistance in Areas of National Need		108,690			
84.215	Even Start, State Educational Agencies		486,493			
84.217	Fund for the Improvement of Education		277,094			
84.224	McNair Post-Baccalaureate Achievement		206,563		1,318,351	
84.235	Assistive Technology		1,991,842			
84.243	VR Literacy		68,668			
84.255	Tech-Prep Education		29,552			
84.256	Life Skills for a Crime-Free Lifetime		89,355,937		5,799	
84.258	VR Training		5,799		2,140,700	
84.261	Federal Direct Student Loans		2,200,355		6,415,098	
84.262	Title II		6,655,194		2,271,101	
84.267	Charter Schools		2,798,445			
84.289	Twenty-First Century Community Learning Centers		56,020			
84.302	State Grants for Innovative Programs		3,933,661		3,821,019	
84.318	Regional Technology Grant		1,077,297		705,613	
84.323	Education Technology State Grants		33,211			
84.324	Special Education- State Personnel Development		32,459			
84.325	Special Education, Research and Innovation to Improve Services		251,135			
84.326	Special Ed. Personnel Prep to Improve Services and Results for Children with Disabilities		9,728			
84.328	General Supervision Enhancement Grant		162,590		23,073	
84.330	Advanced Placement Fee Payment Program		1,911,453		(8,086)	
84.331	Grants to State for Workplace and Community Transition Training for Incarcerated Youth Offenders		4,876,332		1,935,460	
84.332	Comprehensive School Reform Demonstration		1,991,737			
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs		820		225,120	
84.336	Teacher Quality Enhancement Grants		5,426			
84.339	Learning Anytime Anywhere Partnerships		41,336		37,310	
84.342	Preparing Tomorrow's Teachers to Use Technology		170,706		5,834,497	
84.346	Career Resource Network State Grant		7,166,057		44,447	
84.350	Transition to Teaching		59,593		89,405	
84.357	Reading First State Grants		273,266		2,849,361	
84.358	Rural Education Achievement Program		553,401		580,153	
84.359	Early Reading First		22,863,985		21,773,393	
84.365	English Language Acquisition Grants		3,140,797			
84.366	Mathematics & Science Partnership		51,593			
84.367	Improving Teacher Quality State Grants		47,807			
84.369	Grants for State Assessments & Related Activities					
84.902	National Assessment of Educational Progress					
84.923	National Writing Project Model					

STATE OF KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal CFDA/Continued Number	Federal Grant/Program/Pass-Through Grantor	Received Indirectly:	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
84.350	Indirect: Transition to Teaching		43,538	594,228,053		265,882,030
	TOTAL DEPARTMENT OF EDUCATION	United School District No. 259				
	DEPARTMENT OF HEALTH AND HUMAN SERVICES					
	Direct:					
93.000	Alcohol & Drug Data Collection		5,475			
93.003	Public Health and Social Services Emergency Fund		4,759,683			
93.041	Programs for Prevention of Elder Abuse, Neglect and Exploitation		59,811		59,811	
93.042	Special Programs for the Aging - Title VII		128,691			
93.043	Disease Prevention and Health Promotion Services		219,712			
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		3,481,933		219,712	
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services		5,814,690		3,334,144	
93.051	Alzheimer's Disease Demonstration Grants to States		290,039		4,954,889	
93.052	National Family Caregiver Support		1,522,336		290,039	
93.053	Nutrition Services Incentive Program		1,710,456		1,469,211	
93.103	Food and Drug Administration - Research		24,868		1,710,456	
93.110	Maternal and Child Health Federal Consolidated Programs		320,368		15,000	
93.113	Biological Response to Environmental Health Hazards		2,129,626		4,917	
93.116	Project Grants & Cooperative Agreements for Tuberculosis Control Programs		319,598		62,322	
93.121	Oral Diseases and Disorders Research		814,259			
93.124	Nurse Anesthetist Traineeships		7,917			
93.127	Emergency Medical Services for Children		124,282			
93.130	Primary Care Services - Resource Coordination and Development		122,337			
93.136	Injury Prevention & Control Research & State and Community Based Programs		556,384		3,521	
93.145	AIDS Education and Training Centers		85,985			
93.150	PATH Block Grant - Assistance		203,650			
93.157	Centers of Excellence		898,380			
93.165	Grants for State Loan Repayment		48,000			
93.173	Research Related to Deafness and Communication Disorders		1,548,823			
93.184	Disabilities Prevention		4,785			
93.189	Health Education and Training Centers		164,421		16,000	
93.191	Allied Health Special Projects		124,435		25,055	
93.192	Queenin N. Burdick Programs for Rural Interdisciplinary Training		194,470			
93.197	Childhood Lead Poisoning Prev. Projects & Surveillance of Blood Levels		472,501		184,449	
93.211	Rural Telemedicine Grants		259,068			
93.213	Research and Training in Complementary and Alternative Medicine		349,938			
93.217	Family Planning Services		2,294,534		2,049,381	
93.224	Community Health Centers		598,822		55,323	
93.230	Consolidated Knowledge Development & Application Program		250,378			
93.234	KS Traumatic Brain Injury Systems Development		142,196			
93.235	Abstinence Education		368,337			
93.239	Child Welfare Wrap-Around Service Delivery		155,577		188,714	
93.241	Rural Hospital Feasibility Program		661,103			
93.242	Mental Health Research Grants		590,824			
93.247	Advanced Education Nursing Grant Program		27,336		15,344	
93.251	Universal Newborn Hearing Screening		149,091			
93.253	Poison Control Stabilization and Enhancement Grants		184,509			
93.255	State Planning Grant		310,881			
93.259	Rural Access to Emergency Devices		132,844			
93.264	Nurse Facility Loan Program		14,024			
93.265	Comprehensive Geriatric Education Program (CGERP)		148,087		533,719	
93.268	Immunization Grants		2,539,609			
93.273	Alcohol Research Programs		1,098,987			
93.277	Cancer Development Awards		85,354			
93.279	Drug Abuse Research Programs		816,583		14,911	
93.283	Centers for Disease Control & Prevention, Investigations and Technical Assistance		18,801,592		83,712,228	
93.301	Small Rural Hospital Improvement Grants		909,920		864,424	
93.305	Comparative Medicine		352,202			
93.307	Minority Health and Health Disparities Research		1,875,000			
93.342	Health Professions Student Loans		829,337			
93.358	Advanced Education Nursing Traineeships		172,499			
93.359	Nurse Education, Practice and Retention Grants		175,187			
93.361	Nursing Research		1,139,572		1,807	
93.364	Nursing Student Loans		274,179			
93.389	National Center for Research Resources		10,174,173		1,832,671	
93.390	Academic Research Enhancement Award		35,768			
93.393	Cancer Cause and Prevention Research		1,827,940			
93.395	Cancer Treatment Research		236,170			

STATE OF KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal CFDA/Contract Number	Federal Grant/Program/Pass-Through Grantor	Received Indirectly:	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
93.396	Cancer Biology Research		653,052		7,522	
93.398	Cancer Research Manpower		193,788			
93.399	Cancer Control		734,130			
93.556	Promoting Safe and Stable Families		2,516,610			
93.558	Temporary Assistance for Needy Families		91,002,115		6,923	
93.563	Child Support Enforcement		29,988,397		126	
93.566	Refugee Social Services		300,545			
93.568	Low-Income Home Energy Assistance		13,318,482		2,163,715	
93.569	Community Services Block Grant		4,945,754		4,742,588	
93.570	Community Services Block Grant Discretionary Awards		10,000		19,030	
93.571	Community Services Block Grant Discretionary Awards: Community Food and Nutrition		39,230,918		3,537,360	
93.575	Child Care and Development Block Grant		250,570		181,403	
93.576	Refugee School Impact		258,591			
93.596	State Court Improvement Program		23,242,024			
93.598	Mandatory and Matching Funds of the Child Care and Development Block Grant		137,623			
93.597	Grants to States for Access & Visitation Programs		228,417			
93.599	Child Welfare Services, State Grants		1,956,195			
93.600	Child Welfare Services, State Grants		7,225			
93.603	Head Start		630,263			
93.605	Adoption Incentive Program		102,429			
93.630	Developmental Disability Council Grant		176,574			
93.632	University Centers for Excellence in Developmental Disability		2,933,740		39,670	
93.643	Children's Justice Grants to States		325,451			
93.645	Child Welfare Services, State Grants		29,676,793			
93.647	Child Welfare Services, State Grants		9,265,755			
93.658	Social Services Research and Demonstration		22,896,753			
93.659	Foster Care, Title IV-E		1,092,524			
93.667	Adoption Assistance		1,106,479			
93.669	Social Services Block Grant		1,774,714			
93.671	Child Abuse and Neglect State Grants		43,867,378		422,255	
93.674	Family Violence Prevention and Services		532,342			
93.677	Charles Foster Care Independence Program		1,134			
93.767	State Children's Insurance Program		557,759			
93.768	Ticket to Work Infrastructure		6,827,716			
93.769	Demonstration to Maintain Independence & Employment		1,305,711,154		1,070,496	
93.775	State Medicaid Fraud Control Unit		593,006			
93.777	Medical Assistance Program		21,463			
93.778	Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations		1,046,071			
93.779	Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations		778,516			
93.786	State Pharmaceutical Assistance Programs (SPAP)		1,714,296			
93.821	Cell Biology and Biophysics Research		471,680			
93.822	Health Careers Opportunity Program		282,068			
93.837	Heart and Vascular Diseases Research		1,353,446			
93.838	Lung Diseases Research		604,463			
93.839	Blood Diseases and Resources Research		836,771			
93.846	Arthritis, Musculoskeletal and Skin Diseases Research		3,937,003		29,878	
93.847	Diabetes, Endocrinology and Metabolism Research		1,443,863		1,046,249	
93.848	Digestive Diseases and Nutrition Research		260,280		81,096	
93.849	Kidney Diseases, Urology, and Hematology Research		281,931			
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders		2,874,178			
93.854	Neurological Disorders and Stroke		1,057,203			
93.855	Allergy, Immunology and Transplantation Research		593,206			
93.856	Microbiology and Infectious Diseases Research		1,878,505			
93.859	Biomedical Research and Research Training		3,501,744			
93.862	Genetics and Developmental Biology Research and Research Training		418,908			
93.864	Population Research		1,213,882			
93.864	Child Health and Human Development Extramural Research		1,514,016			
93.865	Aging Research		50,011			
93.866	Vision Research		250,000			
93.867	Grants for Training in Primary Care Medicine and Dentistry		241,742			
93.868	Grants for Programs for Physician Assistants		54,025			
93.867	Health Care and Other Facilities		166,273			
93.869	Bioreactor Hospital Preparedness Program		4,800,059			
93.864	Resource and Manpower Development in the Environmental Health		114,717			
93.913	Grants to States for Operations of Offices of Rural Health		155,756			
93.917	HIV Care Formula Grants		89,294			
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds		481,577			
93.929	Center for Medical Rehabilitation Research		1,387,141			
93.934	Fogarty International Research Collaboration Award		146,295			
93.938	Improving the Health, Ed. & Well-being of youths thru Coord. Schl. Hlth. Prgs.		247,665			
93.940	HIV Prevention Activities Health Department Based					
93.944	HIV/AIDS Surveillance					
93.945	Assistance Programs for Chronic Disease Prevention & Control					

STATE OF KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal CFDA/Contract Number	Federal Grants/Program/Pass-Through Grantor	Received Indirectly	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
93.952	Improving BMS/Trauma Care in Rural Areas		32,314			
93.956	Block Grants for Community Mental Health Services		3,335,807			
93.959	Block Grants for Prevention and Treatment of Substance Abuse		12,079,089		38,250	
93.960	Special Minority Initiatives		76,525			
93.962	Health Administration Treasuries and Special Projects Pro		29,288		99,784	
93.969	Genetic Education Centers		444,441		475,404	
93.977	Preventive Health Services, Sexually Transmitted Diseases Control Grants		1,031,090			
93.977	Academic Administrative Units in Primary Care		81,186			
93.984	Cooperative Agreements for State-Based Diabetes Control Programs & Eval. Of Surv. Systems		656,782		310,000	
93.988	Preventive Health & Health Services Block Grant		819,579		321,080	
93.991	Maternal and Child Health Services Block Grant to the States		5,987,430		2,073,722	
93.994	Bioterrorism Training and Curriculum Development Program		1,409,625		22,103	
93.996						
93.283	Indirect:					
93.283	Centers for Disease Control and Prevention, Investigations and Technical Assistance	Wichita Area Sexual Assault Center	9,666			
93.286	Microbiology and Infectious Diseases Research	University of Iowa	22,916			
93.286	Microbiology and Infectious Diseases Research	Georgetown University	1,766			
93.286	Microbiology and Infectious Diseases Research	Washington University	212			
	TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,770,484,556		305,780,448
94.003	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
94.004	Direct:					
94.004	Kansas Commission on National and Community Service		112,383			
94.005	Learn and Serve America: School-Based Program		325,581		254,496	
94.005	Learn and Serve America--Higher Education		197,735		26,094	
94.006	Americans		1,510,224		987,048	
94.007	Pontius Fellows		90,972		52,472	
94.009	Program Development Assistance and Training		63,619			
94.011	Foster Grandparent Program		579,598			
94.016	Senior Companion Program		423,615			
	TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			3,319,827		1,320,110
96.001	SOCIAL SECURITY ADMINISTRATION					
	Direct:					
	Social Security_Disability Insurance		13,308,951		20	
	TOTAL SOCIAL SECURITY ADMINISTRATION			13,308,951		20
	DEPARTMENT OF HOMELAND SECURITY					
	Direct:					
97.001	Unmet Needs Grants		132,383		122,487	
97.004	State Domestic Preparedness Equipment Support Program		22,956,288		17,835,233	
97.007	Homeland Security Preparedness Technical Assistance		100,000			
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants		4,652		4,952	
97.021	Comprehensive Environmental Response, Compensation & Liability Act (CERCLA) - Hazardous Materials Assistance Program		20,760,174		28,220,537	
97.028	Disaster Grants - Public Assistance Grants		3,793,657		3,792,550	
97.039	Hazard Mitigation Grant		2,351,088		1,255,104	
97.042	Emergency Management Performance Grants		250,142			
97.047	Pre-Disaster Mitigation		120,006		105,910	
97.051	State and Local All Hazards Emergency Operations Planning		87,913		87,913	
97.053	Citizen Corps		151,426		145,418	
97.054	Community Emergency Response Teams (CERT)		1,344,354			
97.067	Homeland Security Grant Program		31,385			
97.074	Law Enforcement Terrorism Prevention Program					
	TOTAL DEPARTMENT OF HOMELAND SECURITY			61,088,631		51,569,694
	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT					
	Direct:					
98.076	Title VI B Special Projects		10,980			
	TOTAL UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT			10,980		
	NON-CATALOG MISCELLANEOUS					
	Direct:					
xx.unknown	OFG&AF SRS Afts Drug Reimbursement		202,656			
xx.unknown	SEOG Revenue & Expenditures		188,218			
xx.unknown	KRPS-CFB		121,284			
xx.unknown	KRPS Digital Conversion-CFB		5,000			

STATE OF KANSAS

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STATE OF KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Federal CFDA/Contract Number	Federal Grant/Program/Pass-Through Grantor	Received Indirectly:	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
93.unknown	Non-catalog miscellaneous		135,914			
96.unknown	Dev Family Based Systems of Care		357,435			
97.unknown	Non-catalog miscellaneous		45,000		558,208	
98.unknown	Non-catalog miscellaneous		902,834		1,500	
98.unknown	Non-catalog miscellaneous		20,228			
	TOTAL NON-CATALOG MISCELLANEOUS			25,130,866		1,480,156
	TOTAL CASH FEDERAL EXPENDITURES			3,599,311,723		905,315,176
	NON-CASH FEDERAL EXPENDITURES:					
	DEPARTMENT OF AGRICULTURE					
10.551	Food Stamp (Electronic Benefit Transfers)		174,857,478		0	
	TOTAL NON-CASH FEDERAL EXPENDITURES			174,857,478		
	TOTAL FEDERAL EXPENDITURES		\$ 3,774,169,201	\$ 3,774,169,201	\$ 905,315,176	\$ 905,315,176

** Includes State Unemployment Insurance Benefits of \$260,550,026

STATE OF KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

1 - Basis of Accounting

Except for certain noncash federal award programs, the accompanying schedule is presented on a cash basis of accounting. Commodity food distribution is presented at the value assigned to the commodities by the federal granting agency. Food stamps are presented on the basis of the redeemable value of the food stamps distributed. Higher Education Act insured loans and revolving fund loans are presented on the basis of the amount of loan awards.

2 - Student Financial Assistance Programs

Federally funded student financial assistance programs are administered for the State of Kansas by the various Board of Regents institutions. The programs at each institution are administered separately from those of any other institution. Total fiscal year 2005 expenditures for each program are presented below:

<u>CFDA #</u>		
84.007	Federal Supplemental Education Opportunity Grants	\$ 1,896,433
84.032	Federal Family Education Loan Program	131,778,280
84.033	Federal Work-Study Program	3,476,191
84.038	Perkins Loan Program-Federal Capital Contributions	4,320,990
84.063	Federal Pell Grant Program	43,327,490
84.268	Federal Direct Student Loans Program	89,355,937
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	829,337
93.364	Nursing Student Loans	274,179
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	114,717

Federal Family Education Loans, Federal Direct Student Loans Program, and Health Professions Student Loans are made by financial institutions rather than by the educational institution.

STATE OF KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Year Ended June 30, 2005

3 - Revolving Loan Fund

The Community Development Block Grant (administered by the Kansas Department of Commerce), the Water Pollution Control Revolving Fund and the Public Water Supply Loan Fund (both administered by the Kansas Department of Health and Environment) are revolving loan funds. The value of the loans associated with these programs is summarized as follows:

	<u>CFDA Number</u>	<u>July 1, 2004 Balance</u>	<u>New Loans</u>	<u>Repayments</u>	<u>June 30, 2005 Balance</u>
Community Development Block Grant Loans	14.228	\$ 17,396,095	\$ 3,952,527	\$ 4,824,711	\$ 16,523,911
Water Pollution Control Revolving Fund	66.458	442,172,697	57,940,654	25,014,222	475,099,129
Public Water Supply Loan Fund	66.468	145,791,069	50,024,965	6,892,399	188,923,635

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended June 30, 2005

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified	None
Reportable conditions identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted:	None

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unqualified
Internal control over major programs:	
Material weaknesses identified	None
Reportable conditions identified that are not considered to be material weaknesses	None reported
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	Yes

Identification of the State's major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559
Child and Adult Care Food Program	10.558
Workforce Investment Act (WIA) Cluster	17.258, 17.259, 17.260
Highway Planning and Construction Cluster	20.205, 23.003
Capitalization Grants for Clean Water State Revolving Funds	66.458
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Title 1 Grants to Local Educational Agencies	84.010
Special Education Cluster	84.027, 84.173
Vocational Education - Basic Grants to States	84.048
Child Care and Development Block Grant Cluster	93.575, 93.596
Center for Disease Control and Prevention- Investigations and And Technical Assistance	93.283
Medicaid Cluster	93.775, 93.777, 93.778
Homeland Security Cluster	97.004, 97.067
Public Assistance Grants	97.036

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Part I - Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish between Type A and Type B programs	\$ 11,322,507
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Auditee qualified as a low risk auditee?	Yes
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Part II – Financial Statement Findings

None.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Part III -Findings and Questioned Costs for Federal Awards

Finding No. 05-1

Federal Program – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778)

Condition – In our claims testwork during the fiscal year 2004 audit, we noted that the MMIS system contained no controls to limit the number of surface repairs paid per tooth to dentists. No similar issues were noted during current year claims testwork; however, as of June 30, 2005, no controls had been implemented.

Criteria – The MMIS system normally includes edits and controls that identify unusual items, including safeguarding unnecessary utilization of care or fraudulent claims, for follow up. The State utilizes the MMIS system to ensure proper payment of submitted claims.

Effect – A dentist may file an illegitimate claim for more surface repairs on a tooth than the number of surfaces that are actually on a tooth.

Questioned Costs – None.

Recommendation – In 2004, we recommended that the State implement controls in the MMIS system that limit the number of surface repairs a dentist can claim on a specific tooth letter or number.

Auditee Contact – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

Agency Response/Corrective Action Plan (Unaudited) – New MMIS Policies (E2005-34, 35, 36 and 37) include tooth surface limitations. The surface limitation portions for these policies are scheduled to be implemented in spring 2006.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 05-2

Federal Program – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778)

Condition – During the eligibility testwork, we noted that for one beneficiary of twenty-three tested, the 2005 application was not present in the beneficiary file. The most recent application is part of the required documentation in accordance with OMB Circular A-133 "Eligibility" compliance requirement.

Criteria – According to the OMB Circular A-133 *Compliance Supplement*, the State must "require a written application signed under penalty of perjury and include in each applicant's case records facts to support the agency's decision on the application". Although the beneficiary's eligibility was confirmed by other sources, each Medicaid beneficiary file should contain the most recent documentation for the eligibility determination.

Effect – Benefits could be provided to ineligible beneficiaries.

Questioned Costs – None.

Recommendation – We recommend that the State implement procedures that would include a detail review of all Medicaid beneficiary files to ensure that the files are complete and support eligibility determinations.

Auditee Contact – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Kansas Department of Social and Rehabilitation Services (SRS), Office of Audit and Consulting Services

Agency Response/Corrective Action Plan (Unaudited) –

Background:

This particular beneficiary is an SSI recipient and has been receiving Medicaid coverage under this category for several years. Although an SSI recipient does not need to recertify Medicaid eligibility annually, the initial application is to be retained in the case file. This application could not be located.

The medical case was initially open in the SRS Service Center. Case maintenance responsibility for the case was transferred to the HealthWave Clearinghouse in 2001.

We believe the root cause of the finding is related to the case transfer process. The corrective action plan is focused on evaluating and clarifying the case transfer protocol.

Process and Timeline:

1. By July 1, 2006 - Form a small workgroup to address the case transfer process. The workgroup will consist of central office staff from both DHPF and SRS, HealthWave Clearinghouse staff and SRS field staff.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. By October 1, 2006 – The workgroup will review established policy and protocol regarding the case transfer process to determine possible areas of improvement, make recommendations for changes to the process and develop additional resources (such as forms or desk aids) to assist staff processing these cases.
3. By January 1, 2007 – Policies and procedures will be issued outlining protocol and expectations for both the sending entity and the receiving entity.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 05-3

Federal Program – Child Care and Development Block Grant Cluster (CFDA No. 93.575, 93.596)

Condition – For one of the five subrecipients selected for testwork, the most recent independent audit report had not been obtained by the State for review. As of June 30, 2005, the most recent audit report received for this subrecipient was for their fiscal year 2003.

Criteria – Per the OMB Circular A-133 *Compliance Supplement* and the State's Subrecipient Monitoring Policy, the State must obtain from their subrecipients the most recent independent audit report for review or perform alternative monitoring procedures such as requesting a copy of the most recent GAS (Government Auditing Standards) audit report or agreed-upon procedures report. The independent auditor report must be submitted to the State within nine months of grantee's fiscal year end.

Effect – Without the appropriate timely report, the State is unable to determine that all compliance aspects were met. Also, should the subrecipients not be in compliance with the grant agreement, without a timely report, the State is unable to take suitable action.

Questioned Costs – None.

Recommendation – We recommend that the State timely monitor subrecipient compliance with the submission of independent auditor reports.

Auditee Contact – Mary S. Hoover, CPA, CITP, CIA, CGFM, Chief Audit Executive/Director, Kansas Department of Social and Rehabilitation Services (SRS), Office of Audit and Consulting Services

Agency Response/Corrective Action Plan (Unaudited) – The recipient in question received awards from SRS in the amount of \$367,130 for the award period of 7/1/04 through 6/30/05. Under the SRS Recipient Monitoring Policy, the recipient should have submitted an audit conducted in accordance with Government Auditing Standards.

The Office of Audit and Consulting Services as well as SRS program staff have responsibility for ensuring audit reports are submitted timely. The Office of Audit uses an Audit Tracking Module (ATM) to track independent audit reports and whether they are submitted timely. Letters are sent when audits are due and when they are late. The data about awards comes from the Procurements Services Unit (PSU) database of grants, contracts and providers agreements. In this particular instance, the PSU database and the ATM both showed that an award was not issued to the recipient for the year in question. However, detailed information in grant files at the program level did show that this award was indeed issued and an independent report should have been requested.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

To resolve this problem, the Office of Audit and Office of Accounting and Administrative Operations will work together to determine solutions to the data entry issues with the PSU database. One option is to have an individual perform a quality control function monthly and check that data entered into the system matches award information sent from SRS program staff. Another option is to look at controls within the system itself and design them accordingly

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 05-4

Federal Program – Special Education Cluster (CFDA No. 84.027, 84.173)

Condition – The minimum amount required to be earmarked by the State for Local Educational Agencies (LEAs) based upon the relative population and poverty levels was not met.

Criteria – The OMB Circular A-133 *Compliance Supplement* specifies a minimum amount of funding that must be earmarked by the State for LEAs based on the LEA's student population and poverty level as a percentage of the total student population and poverty level of the State. This amount was determined by the United States Department of Education to be \$231,677 for the year ended June 30, 2005. The amount actually earmarked by the State of Kansas was \$231,502, which is \$175 less than the specified amount.

Effect – The affected LEAs are not being fully funded as stipulated by the OMB Circular A-133 *Compliance Supplement*.

Questioned Costs – None.

Recommendation – We recommend that the State monitor the amounts earmarked for special education and compare the amounts to the United States Department of Education grant award documents to ensure that minimum funding requirements are met.

Auditee Contact – Ron Nitcher, Director of Fiscal Services and Operations, Kansas Department of Education

Agency Response/Corrective Action Plan (Unaudited) – We have developed and implemented a corrective action plan to address this finding. In the future, our Student Support Services Team will compute each LEA's allocation. Once the allocations have been computed, they will be reviewed by our Fiscal Services Team to ensure that each LEA receives its relative share of the state's base allocation and population/poverty allocation. In addition, the Fiscal Services Team will verify that the total amount of the base and population/poverty allocations for all LEAs equal the amounts computed by the U.S. Department of Education. After ensuring these amounts are correct, the Fiscal Services Team will notify the Student Support Services Team that the allocations may be made available to LEAs. It is our intent to follow this corrective action plan for all future years' grant awards, beginning with our allocation for the 2006-07 school year.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 05-5

Federal Program – Homeland Security Cluster (CFDA No. 97.004 and 97.067)

Condition – The Kansas Highway Patrol is the pass-through entity for the Homeland Security Cluster. During our testwork, we noted that, with the exception of approving purchases made by subrecipients, no formal subrecipient monitoring process was in place to monitor the activities of its subrecipients.

Criteria – Per the OMB Circular A-133 *Compliance Supplement*, pass-through entities must establish a monitoring process that should include on-site visits and implementing procedures that would ensure “that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient’s audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.”

Effect – Subrecipients may not have been properly monitored and evaluated.

Questioned Costs – None

Recommendation – The Kansas Highway Patrol needs to develop a policy for monitoring its subrecipients that includes regular on-site visits and ensuring that the required subrecipient audits were completed through such procedures as obtaining and reviewing copies of subrecipient audit reports for those subrecipients that met the audit requirements of OMB Circular A-133.

Auditee Contact – Captain Mark Bruce, Homeland Security Operations Commander, Kansas Highway Patrol

Agency Response/Corrective Action Plan (Unaudited) – The Kansas Highway Patrol (KHP) currently, by contract, obligates all subrecipients of Homeland Security Grant Program funds to comply with the organizational audit requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In the future, the KHP will include a Single Audit Certification Letter as an addendum to subrecipient contracts. This letter will require a subrecipient to indicate whether or not they are subject to the provisions of OMB Circular A-133. If they are, we will require them to provide us with a copy of their audit report within 30 days of its receipt. KHP staff will review the report and identify any findings or areas of concern. KHP staff will provide follow-up in this regard to ensure appropriate corrective actions are taken. Dependent upon the severity of problems identified in the audit, the KHP may freeze access to funding until corrective measures are employed.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The KHP recently developed an equipment monitoring program that will continue in the future. The first phase in this program involves a site visit by KHP staff. During this visit, recipients must produce all equipment with an original purchase price of \$500 or more. In the future, equipment accountability will be ensured through a combination of desk audits and site visits.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Finding No. 05-6

Federal Program – Public Assistance Grants (CFDA No. 97.036)

Condition – Twenty of twenty-three subrecipients selected for testwork did not submit an independent audit report or a letter stating they were not required to have an audit performed in accordance with OMB Circular A-133.

Criteria – According to the OMB Circular A-133 *Compliance Supplement* and the Kansas Department of Emergency Management (KDEM)'s internal subrecipient monitoring policy, the pass-through entity (the State) should receive audit reports from subrecipients required to have an audit in accordance with OMB Circular A-133, issue management decisions on findings related to the program, and require the subrecipients to take timely corrective action on any deficiencies identified.

Effect – Subrecipients may not be in compliance with the requirements of OMB and not be detected by the pass-through entity.

Questioned Costs – None

Recommendation – A formal monitoring process should be implemented to track subrecipients who have received federal funding and determine whether or not they have provided the necessary audit documentation. This would allow the State to monitor their subrecipients more closely and detect subrecipient noncompliance.

Auditee Contact – Janice Harper, Comptroller, Adjutant General's Department, State of Kansas

Agency Response/Corrective Action Plan (Unaudited) – A formal monitoring process will be implemented to track whether subrecipients who have received federal funds from KDEM have provided the necessary audit documentation (independent audit report or a letter stating they are exempt from providing same) as required by OMB Circular A-133. While only the Public Assistance grants were audited, KDEM is a pass-through entity of federal funds for several other grants. The monitoring process has been designed to ensure we meet subrecipient monitoring requirements for all such grants.

While some details have not yet been determined, the monitoring process should be substantially similar to the following:

- If the entity receiving pass-through federal funds is **another state agency**, an independent audit report or letter stating they are exempt from providing same will not be required since another state agency is not a subrecipient but rather a transferee.

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- If the entity receiving pass-through federal funds is a **county**, an independent audit report or letter stating they are exempt from providing an audit report will be required. Counties will be directed to forward the report or letter to the KDEM Fiscal Office. The KDEM Fiscal staff will:
 - ✓ log receipt of the audit report or exempt letter and related information into a spreadsheet viewable by all KDEM staff;
 - ✓ review the audit reports to detect subrecipient noncompliance and perform subsequent activity necessary to resolve any identified deficiencies.

The respective Program Managers will be responsible for contacting subrecipients to re-request an audit report or exempt letter if not timely provided to KDEM.

- If the entity receiving pass-through federal funds is a **local unit of government other than a county**, an independent audit report or letter stating they are exempt from providing an audit report will be required. Non-county local units of government will be directed to forward the report or letter to the KDEM Public Assistance Office. The KDEM Public Assistance staff will:
 - ✓ photocopy a page from the audit report which reflects the period covered by the audit report or exempt letter to include in the applicant's folder;
 - ✓ log receipt of the audit report or exempt letter and related information into a spreadsheet viewable by all KDEM staff;
 - ✓ contact subrecipients to re-request an audit report or exempt letter if not timely provided to KDEM;
 - ✓ forward the audit report or exempt letter to the KDEM Fiscal staff. Fiscal staff will review the audit reports to detect subrecipient noncompliance and perform subsequent activity necessary to resolve any identified deficiencies

We anticipate this monitoring process will be in effect by June 1, 2006.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS

For the Fiscal Year Ended June 30, 2005

Finding No. 04-1

Reportable Condition – We noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that, in our judgment, could adversely affect the State's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The current accounting system utilized by the State was designed to provide information primarily related to budget compliance. Consequently, the system is designed to record cash transactions and unliquidated encumbrances and generally omits noncash assets and liabilities. As a result, management must convert cash basis information to both modified accrual and full accrual information for the annual financial report.

Management has developed and documented the policies, procedures and methodology for the required conversions which is accomplished through a complex database.

We noted numerous undetected errors in draft financial statements.

Criteria – The process used in the preparation of the audited financial statements should include internal controls over the summarization of financial data that would detect material misstatements in the financial statements.

Cause – Draft financial statements are not reviewed by personnel with the required technical knowledge of GAAP reporting. Additionally, financial statement amounts are not reconciled to the appropriate collaborating data.

Effect – No known material effect on the financial statements. However, the propriety of underlying account balances may be questioned.

Questioned Costs – None.

Recommendation – The financial statements should be reviewed by personnel with the required technical knowledge of GAAP reporting. Amounts in the financial statements should be reconciled to the supporting data.

Auditee Contact – Robert Mackey, Director of Accounts and Reports, Department of Administration

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Agency Response/Corrective Action Plan (Unaudited) – This is the third consecutive year (FYs 2002, 2003 2004) that the Division of Accounts and Reports (A&R) has prepared a Generally Accepted Accounting Principles (GAAP) compliant Comprehensive Annual Financial Report (CAFR) using the new reporting model required by Statement 34 of the Governmental Accounting Standards Board (GASB). Prior to this, the State's financial statements were prepared on a cash basis. Thus, the State "went GAAP" and began using the new reporting model in the same year (FY 2002). During this short period of time the Financial Integrity Team (FIT), who prepares the report, has experienced repeated and significant turnover. This was especially true during the past year when two of the three (67%) persons directly involved in the preparation of the FY 2003 report were no longer employed by A&R during the preparation of the FY 2004 report. This included the team leader of the team who had held this position for over twenty years. This was an underlying factor in most of the challenges experienced this year. Another GAAP knowledgeable staff person has been borrowed from another A&R team the past two years. This person will not be employed by A&R next year due to retirement in March 2005. This will be another key loss.

Staff continuity and retention are the two most critical factors in successfully preparing a GAAP compliant CAFR each year. There are numerous complex issues which must be addressed each year and data for the CAFR is obtained from a variety of dissimilar sources including: the statewide central accounting system (STARS); the State Treasurer; state agencies via accounting data surveys; audited CAFRs from certain state agencies, including CAFRs from 23 Regents' university component units in FY 2004; and implementation of additional GASB statements each year as required.

Retaining key staff is paramount in building the optimum level of skills and experience required for the annual preparation of the CAFR. A&R continues to explore ways to build knowledge experts through education and experience and to retain them for an extended period of years.

Follow-up – During the current year, management took corrective action and implemented appropriate controls over the financial statement process.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 04-2

Federal Program – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778)

Condition – During our claims testwork, we noted that the MMIS system contains no controls to limit the number of surface repairs paid per tooth to dentists.

Criteria – The MMIS system normally includes edits and controls that identify unusual items, including safeguarding unnecessary utilization of care or fraudulent claims, for follow up. The State utilizes the MMIS system to ensure proper payment of submitted claims.

Effect – A dentist may file an illegitimate claim for more surface repairs on a tooth than the number of surfaces that are actually on a tooth.

Questioned Costs – None.

Recommendation – We recommend that the State implement controls in the MMIS system that limit the number of surface repairs a dentist can claim on a specific tooth letter or number.

Auditee Contact – Mary S. Hoover, Chief Audit Executive/Director, Kansas Department of Social and Rehabilitation Services (SRS), Office of Audit and Consulting Services

Agency Response/Corrective Action Plan (Unaudited) – This condition was brought to the attention of the SRS Program Manager who will initiate the appropriate procedure to limit the number of surface repairs paid per tooth to dentists.

Follow-up – New MMIS Policies (E2005-34, 35, 36 and 37) include tooth surface limitations. The surface limitation portions for these policies are scheduled to be implemented in spring 2006. As a result, this finding is repeated for the fiscal year ended June 30, 2005 and is reported as Finding No. 05-2.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 04-3

Federal Program – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778)

Condition – During our Medicaid claim testing, we noted that a dentist and the clinic at which the dentist was employed both submitted a claim for the same procedure and both claims were paid through the Medicaid Management Information System (MMIS) system.

Criteria – The State utilizes the MMIS system to ensure proper payment of submitted claims, including ensuring that no duplicate payments are made. Both professionals and the clinics at which they are employed may apply for provider numbers.

Effect – One claimant of the twenty-three in the sample selected (or approximately 4.4%) was overpaid by \$269. A number of Medicaid providers could be submitting claims and receiving duplicate payments if both they and the clinics at which they are employed submit duplicate claims.

Questioned Costs – \$8,134,063 (includes \$269 of known questioned costs and \$8,133,794 of likely questioned costs (\$269 known errors divided by \$114,839 of Medicaid claim payments during State fiscal year 2004 in our sample population multiplied by \$3,472,407,331 of total population Medicaid claim payments during State fiscal year 2004).

Recommendation – In order to ensure that Medicaid claim payments are not duplicated, we recommend that the State implement controls in the MMIS system to identify duplicate claims.

Auditee Contact – Mary S. Hoover, Chief Audit Executive/Director, Kansas Department of Social and Rehabilitation Services (SRS), Office of Audit and Consulting Services

Agency Response/Corrective Action Plan (Unaudited) – This condition was previously identified during a Surveillance and Utilization Review. The system currently has edits in place that are specific to dental that monitors claims for “Exact Duplicate” and “Suspect Duplicate.” Both of these edits are currently set to suspend to allow the clerk to check for related claims for the same service, same date of service, same providers, or different providers.

Follow-up – This edit did suspend in October 2004. This allows the resolution suspense examiner to review the claim for presence of duplicate services being billed. If the services being billed are actually a duplicate of a previously submitted claim, the second claim submitted will be denied, regardless of provider.

The Division of Health Policy and Finance indicates that the \$269 due back to CMS was adjusted on the 9/30/05 quarterly CMS 64, Quarterly Medicaid Expenditure Report

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 04-4

Federal Program – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778)

Condition – The PSC 272A, Federal Cash Transaction Report was incorrectly filed for the quarter ended 6/30/04. The cumulative amount of cash drawdowns is prepared on a worksheet from the CMS 64, Quarterly Medicaid Statement of Expenditures. The CMS 64 worksheet contained incorrect expenditure amounts, which resulted in errors on the PSC 272A.

Criteria – The PSC 272A, Federal Cash Transaction Report is required to be filed for the Medicaid Cluster every quarter, indicating the correct amount of grant awards and the cumulative amount of cash drawdowns.

Effect – Amounts represented to the federal awarding agency were misstated.

Questioned Costs – None

Recommendation – The completed PSC 272 should be independently reviewed by someone other than the preparer and verified with supporting documentation.

Auditee Contact – Mary S. Hoover, Chief Audit Executive/Director, Kansas Department of Social and Rehabilitation Services (SRS), Office of Audit and Consulting Services

Agency Response/Corrective Action Plan (Unaudited) – The CMS 64 expenditures reported by SRS are changed by CMS after the PSC 272A is filed. SRS uses the most accurate data available and the PSC 272A is closed by CMS after it has been submitted to them. Therefore, there is no way to report the final expenditure total on the PSC 272A.

Follow-up – SRS has implemented new procedures to define the processing steps to be taken by federal financial reporting staff to prepare reports. The agency sent a letter to federal representatives on October 7, 2005 informing them that SRS had modified procedures to include the review and certification of reports by the supervisor of the individual who prepared the report. The new procedures were sent with the letter.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 04-5

Federal Program – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778)

Condition – The biennial review of the ADP risk analysis and system security involved in the administration of the Medicaid program was not performed in Fiscal Year 2004 as required.

Criteria – According to the Special Tests and Provisions section of the Office of Management and Budget's Compliance Supplement, "State agencies must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. State agencies shall review the ADP system security installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices. The State agency shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews."

Effect – Critical reviews of the ADP system are not being completed and therefore any problems or errors with the system could go undetected. Also, noncompliance with HHS's guidelines could result in a loss or decrease of funding from the grantor agency.

Questioned Costs – None

Recommendation – We recommend that the Agency implement procedures to ensure that at the minimum, a biennial review is completed of the ADP system. Although a review of the outside Medicaid processor following Statement on Auditing Standards No. 70 (SAS 70) has been performed by an independent party, the SAS 70 review of the ADP system alone is not adequate for compliance with HHS' guidelines.

Auditee Contact – Mary S. Hoover, Chief Audit Executive/Director, Kansas Department of Social and Rehabilitation Services (SRS), Office of Audit and Consulting Services

Agency Response/Corrective Action Plan (Unaudited) – In the fall of 2004, the Office of the Inspector General conducted a comprehensive risk analysis and review of system security regarding the interchange MMIS operated by EDS. The review also included the Maxstar Eligibility Determination Tracking system operated by Maximus Inc. The findings and recommendations identified by the OIG are currently being addressed.

In the spring of 2004, EDS and Maximus initiated their respective HIPAA Security Assessment and Remediation projects. These projects should be completed by the April 21, 2005 HIPAA Security Compliance deadline.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

These two reviews should fulfill the current requirement for conducting a risk analysis and system security review for the Single State Audit. In subsequent years, SRS/HCP will ensure that the reviews occur on a biennial basis. We will plan to commence this process in SFY 2006, and continue the same on a biennial schedule.

Follow-up – The independent FYE 2004 Statement of Auditing Standard No. 70 (SAS 70) was completed by Ernst & Young in 2005. The SAS 70 meets or exceeds all the requirements for the biennial review of the ADP risk analysis and system security involved in the administration of the Medicaid program. Therefore, a biennial review will continue to be completed utilizing an independent party following the Statement of Auditing Standards No. 70 (SAS 70).

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 04-6

Federal Program – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778)

Condition – During our expenditure testwork, we noted that for one expenditure of twenty-three tested, the expenditure amount was incorrectly coded between the State-funded and Federal-funded account codes.

Criteria – Each Medicaid expenditure is required to be allocated between State and Federal funding according to the Statewide Cost Allocation Plan (SWCAP). The SWCAP contains the allowable allocation percentages for each expenditure transaction. All expenditure transaction allocations should agree to the SWCAP.

Effect – The Medicaid program was overcharged for an expenditure transaction.

Questioned Costs – \$29,837

Recommendation – We recommend that the Agency implement a procedures that would include a detail review of all Medicaid vouchers by someone other than the preparer to ensure that the Medicaid program is charged appropriately.

Auditee Contact – Mary S. Hoover, Chief Audit Executive/Director, Kansas Department of Social and Rehabilitation Services (SRS), Office of Audit and Consulting Services

Agency Response/Corrective Action Plan (Unaudited) – SRS will review current voucher processes to evaluate the extent of the voucher control issue. Once evaluated, procedures will be formulated and implemented to address any identified issues resulting in inadequate controls.

Follow-up – Discussions and a review of the expenditure voucher in question were conducted to determine what corrective action steps were to be taken in the process. The Division of Health Policy and Finance indicates that the \$29,837 due back to CMS was to be adjusted on the 9/30/05 quarterly CMS 64, Quarterly Medicaid Expenditure Report.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 04-7

Federal Program – Food Stamps Cluster (CFDA No. 10.551 and 10.561)

Condition – The SF-269, *Financial Status Report* was filed using incorrect amounts for the quarters ended 9/30/03, 12/31/03, and 3/31/04. The errors occurred because of data entry errors in the report preparation process. Reviews of the reports did not catch the errors before the report was submitted.

Criteria – The SF-269, *Financial Status Report* is required to be filed for Food Stamps every quarter, indicating correct amounts of Federal and Non-Federal shares of expenditures for the current quarter and year-to-date.

Effect – The amounts reported to the federal agency were misstated. Errors of this kind could result in future loss of funding.

Questioned Costs – None.

Recommendation – The completed SF-269, *Financial Status Report* should be independently reviewed by someone other than the preparer and vouched to supporting documentation.

Auditee Contact – Mary S. Hoover, Chief Audit Executive/Director, Kansas Department of Social and Rehabilitation Services (SRS), Office of Audit and Consulting Services

Agency Response/Corrective Action Plan (Unaudited) – Plans are underway to have the SF-269, *Financial Status Report*, reviewed by someone other than the preparer to ensure accuracy of the data submitted to the federal government. This individual will also vouch the information to supporting documentation. In addition, we will request the Department's audit office to perform routine audits of our federal reports to ensure they are accurate, complete, timely and supported by adequate source documentation.

Follow-up – SRS sent a letter to federal representatives on October 7, 2005 informing them that SRS had modified procedures to include the review and certification of reports by the supervisor of the individual who prepared the report. The new procedures were sent with the letter.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 04-8

Federal Program – Food Stamps Cluster (CFDA No. 10.551 and 10.561)

Condition – In June 2003, the State of Kansas' (the State) Food Stamps program was notified by the United States Department of Agriculture (USDA) that it had incurred a penalty of \$1,493,379 for exceeding the national average Food Stamp Payment Error Rate in Federal fiscal year ending September 30, 2002. The Federal fiscal year 2002 error rate for Kansas was 11.7 percent compared to the national average of 8.26 percent. The USDA afforded Kansas the option to reinvest 50 percent of the penalty, or \$746,690, in activities designed to reduce the error rate. Kansas accepted the reinvestment option and implemented several strategies, including simplified reporting to reduce client errors, statewide training for staff, increased verification requirements, and mandated case review processes. The remaining 50 percent must be paid if the State exceeds the national average error rate in both Federal fiscal years 2003 and 2004.

On June 22, 2004, the USDA notified the State that their payment error rate of 10.4 percent had exceeded the Federal fiscal year 2003 national average payment error rate of 6.64 percent, and that if the State exceeds the Federal fiscal year 2004 national average payment rate, a penalty will be assessed. The Federal fiscal year 2004 penalty would be in addition to paying the remaining half of the Federal fiscal year 2002 penalty.

As of June 30, 2004, the State's Federal fiscal year 2004 payment error rate was 4.88 percent, which was less than the national payment error rate of 5.1 percent. However, the final Federal fiscal year 2004 payment error rate was not available due to the Federal fiscal year ending on September 30, 2004 and that information is not available until 2005.

Criteria – According to the OMB A-133 *Compliance Supplement*, states must maintain payment error rates at 6 percent or lower. States “with persistent high error rates are assessed fiscal liabilities based on the amount of benefits issued in error”.

Effect – The State could be assessed large penalties, in excess of \$1 million, to be funded with State monies.

Questioned Costs – Tentative questioned costs \$746,689; additional potential questioned costs (penalties) are unknown.

Recommendation – We recommend that the State of Kansas implement procedures that will address and decreased the payment error rate as to avoid future penalties from the USDA.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS (Continued)

Auditee Contact – Mary S. Hoover, Chief Audit Executive/Director, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

Agency Response/Corrective Action Plan (Unaudited) – The Department has been involved in a number of activities to decrease the payment error rate since it first became aware of it in FFY 2003. The Department is on target to fall under the FS national average payment error rate for FFY 2004. Through the month of June (the most current federal review month), the State's error rate is 4.88% compared to the national average for that same time period of 5.55%. Kansas should avoid any fiscal sanction for FFY 2004 as well as have half of the remaining sanction from FFY 2002 waived.

The improvement in the State's error rate is largely due to several factors including:

- Increased focus on error reduction.
- Adoption of additional policy simplification measures including simplified reporting for consumers.
- Increased training and use of a supervisory case review system.
- Corrective action planning resulting from operational reviews conducted by Rushmore Group. These operational reviews, conducted in each of the SRS management areas have provided statewide recommendations for improvements to Food Stamp processing which should help avoid and reduce errors in the future. The Department has taken steps to adopt many of the recommendations including improving timeliness of disseminating information to the field and increasing use of face to face and online training for both new and experienced staff.
- A broader approach to corrective action planning is in place due to Regional reorganization. All regions have specific organizational structures in place to focus on performance improvement and outcomes.
- The Department has also formed a charter team on Performance Improvement which will focus on outcome and performance measures across the entire agency.

In addition the Department has set a payment error rate goal of no more than 5% for FFY 2005 to continue progress made and qualify for waiver of the remaining half of the FFY 2002 fiscal sanction.

Follow-up – Kansas' official final error rate for Federal fiscal year 2004, after stratification, etc. was 5.11 percent. The national combined error rate for 2004 was 5.88 percent, placing Kansas well below the national average. In fact, Kansas ranked 15th among all states. This represented a major improvement in payment accuracy from the 10.45 percent combined payment error rate of Federal fiscal year 2003. Improvement was achieved in both under-payments (from 2.41% to 0.95%) and overpayments (from 8.04% to 4.16%). This was accomplished at the same time that food stamp participation increased by 5.6 percent. The validated negative error rate also improved from 6.13 percent in FFY 2003 to 3.43 percent in FFY 2004. This placed Kansas below the national average for negative error also, ranking 21st among states.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Because of its accomplishment, Kansas was awarded a high performance bonus of \$861,132 in 2004 for ranking second among all states in improved payment accuracy. Kansas was also awarded a Pinnacle Award for exemplary performance in improving payment accuracy and increasing consumer access and participation in the Food Stamp Program at the Tri-Regional Food Stamp Directors' Conference in June 2005. These awards reinforce the progress the state has made in improving payment accuracy and consumer access.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 04-9

Federal Program – Rehabilitation Services - Vocational Rehabilitation Grants to States (CFDA No. 84.126)

Condition – For four of the twenty-three participants selected for testing (or approximately 17.4%), the length of time between the participant's application date and the date of the eligibility determination, as shown on the participant's certificate of eligibility, was greater than the maximum of sixty days.

Criteria – The Office of Management and Budget (OMB) Compliance Supplement stipulates that an individual applying for federal aid under the Vocational Rehabilitation program must receive notification of eligibility within sixty days of his/her grant application date.

Effect – Individuals eligible to participate in the program may not receive benefits in a timely manner.

Questioned Costs – None

Recommendation – Vocational Rehabilitation Services (the Agency) should establish agency policies related to monitoring individual eligibility notification to ensure that the federal guidelines on eligibility are met. In some instances, the results of the required mental and physical examinations that are required in order to determine eligibility are not received timely so the Agency can process the application in time. In these cases, complete and dated documentation as to why the application was not processed in time should be kept in the participant's file.

Auditee Contact – Mary S. Hoover, Chief Audit Executive/Director, Kansas Department of Social and Rehabilitation Services (SRS), Office of Audit and Consulting Services

Agency Response/Corrective Action Plan (Unaudited) – In response to the audit finding regarding the timeliness of eligibility determinations, Rehabilitation Services (RS) will undertake the following corrective action:

1. This issue will be discussed with Regional RS Program Administrators at their April 2005 meeting. The Program Administrators will then provide guidance and direction to their counselors when they conduct their next Regional staff meetings.
2. This issue will be discussed by the Central Office Administrator for Policy, Program Development and Evaluation during annual policy training meetings held in Regions throughout the state. These are scheduled to begin in April 2005.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS (Continued)

In addition, Rehabilitation Services has already established a process on our Kansas Management Information System (client case and fiscal tracking system) related to timeliness. Counselors receive reminder notices prior to the expiration of the time standard. Counselors also use the system to document extensions to the time standard, including the client's agreement. Performance on timeliness standards is also monitored monthly in the RS Key Indicators Report, which is a performance evaluation and management tool used by all RS management (central and regional).

Follow-up – The issue was discussed at the staff and training meetings as described in the prior year corrective action plan. The Agency also established the process described in the previous paragraph relating to timeliness.

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FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 04-10

Federal Program – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557

Condition – Eight of the twelve files selected for testwork lacked adequate documentation to support that a complete management evaluation had been conducted in accordance with the OMB Compliance Supplement. These eight files contained documentation of an abbreviated monitoring visit with no written approval from the United States Department of Agriculture (USDA) to support that such evaluations were adequate in the year of conversion to a new computer system.

Criteria – Per the OMB Circular A-133 *Compliance Supplement*, State agencies must establish an ongoing management evaluation system which includes at least the monitoring of local agency operations, the review of local agency financial and participation reports, the development of corrective action plans, the monitoring of the implementation of corrective action plans, and on-site reviews. The on-site reviews of local agencies shall include evaluation of management, certification, nutrition education, civil rights compliance, accountability, financial management systems, and food delivery systems.

Effect – Local agencies may not have been properly monitored and evaluated.

Questioned Costs – None

Recommendation – The State needs to implement a procedure to insure that adequate documentation of management evaluations of local agencies is kept and if such documentation is not available due to other reasons, such as a computer system conversion, then written approval from the USDA must be obtained and kept for referral.

Auditee Contact – David Thomason, Director, Kansas Department of Health and Environment – Nutrition and WIC Services

Agency Response/Corrective Action Plan (Unaudited) – This finding relates to a USDA verbally approved, one-time authorization to modify Local Agency Management Evaluations during the roll-out of the new KWIC Management information System. The modification included a series of questions and reviews of certain files and/or items at the Local Agency during an onsite visit by State Agency staff. The authorization and modification expired with the conclusion of roll-out. The only corrective action to this finding would be to secure a written rather than verbal approval from USDA. Because Kansas will never again implement business practices as radical as the current move from the old paper-based process to the new computer-based process, it is anticipated that no modifications to Management Evaluations will be necessary in the future.

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FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Follow-up – No additional changes were made to the KWIC information system since the roll-out in 2004, nor are there any changes planned. However, for any future information system changes that would require a modification of subrecipient monitoring processes, the State will secure written approval from the USDA before any modifications are made.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Finding No. 03-10

Federal Program – Disability Insurance/SSI Cluster (Disability Determination Services), CFDA No. 96.001/96.006)

Condition – In October 2002, the Social Security Administration's Office of the Inspector General performed an audit of the State of Kansas' Disability Determination Services program. This review cited known questioned costs of \$201,218 related to unallowable costs, which have been refunded to the Social Security Administration, and disputed questioned costs of \$4,923,606 related to indirect costs inappropriately charged to the program.

Cause – According to the Office of Inspector General, the questioned costs were caused by "incorrect indirect cost allocations, inappropriate non-SSA work cost charges, and inaccurate other nonpersonnel costs."

Effect – The State of Kansas has refunded \$201,218 of the unallowable costs to the Social Security Administration. The disputed questioned costs related to the indirect costs are currently under appeal with the Department of Health and Human Services (HHS).

Questioned Costs – \$201,218 known questioned costs, \$4,923,606 disputed questioned costs

Recommendation – The State should implement the procedures recommended by the Office of Inspector General to ensure future unallowable costs do not occur. The State is currently awaiting the outcome of their appeal to HHS regarding the indirect costs

Follow-up – As of May 2006, the State is still awaiting the outcome of their appeal to HHS regarding the indirect costs.